ONTARIO FOR-HIRE TRUCKING

A Six Year Perspective

1980 to 1985

Ontario Ministry of Transportation
Truck Transportation Office

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1 Introduction

The following report on the Ontario For-Hire Trucking industry is based on data collected by Statistics Canada.

Statistics Canada conducts annual surveys of For-Hire Trucking companies in Canada. The surveys include companies which have a gross annual revenue of $100,000 or more.

The data published by Statistics Canada on the For-Hire Trucking industry is not adequate for the requirements of the Ministry of Transportation. Figures are published on a national level and the Ontario component is not detailed enough or in a form required for the provincial perspective.

In order to obtain a better understanding of the Ontario For-Hire Trucking industry without conducting a costly seperate survey, the Ontario component of the raw data was obtained from Statistics Canada. The Ministry of Transportation developed its own computer system to process the data.

The Ontario For-Hire Trucking industry is comprised of Ontario based carriers as well as carriers based outside Ontario but which operate in the province. This report includes information on both segments of the industry.

The data reported is NOT restricted to the Ontario portion of the companies' operations. It is for the total operation. Data is not reported to Statistics Canada by jurisdiction therefore it is not possible to determine the portion of a companies' operations which is generated within Ontario.

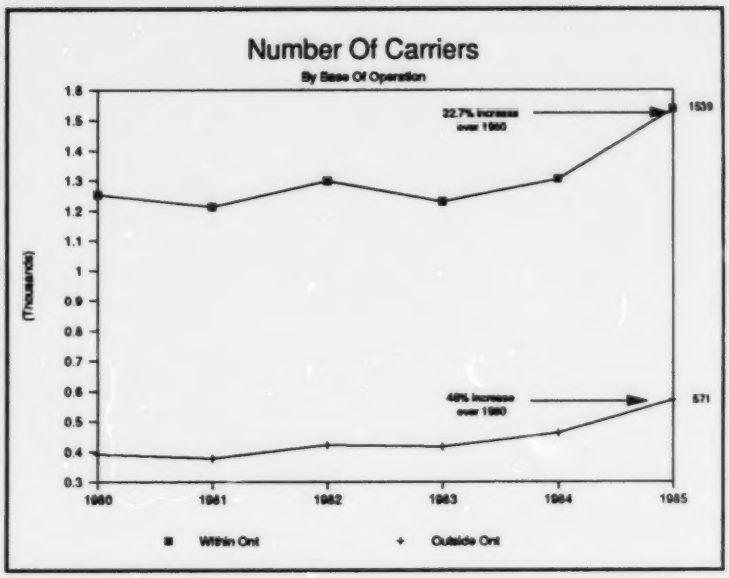
Statistics Canada categories carriers according to revenue. These categories have been followed in the report for compatability with other Statistics Canada data:

Class 1 - Annual Gross Revenue of $3 million or more
Class 2 - Annual Gross Revenue of $350,000 - $3 million
Class 3 - Annual Gross Revenue of $100,000 - $350,000

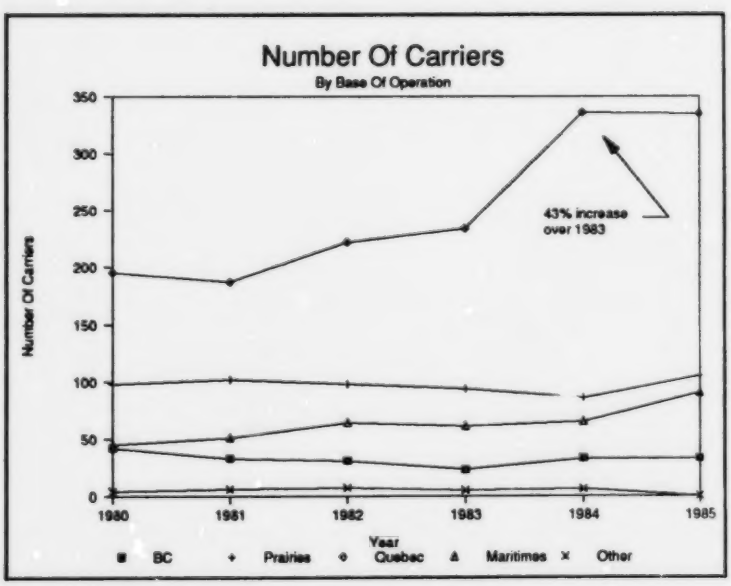
The analysis has been conducted and reported for the years 1980 to 1985. This report attempts to provide a comprehensive picture of the Ontario For-Hire Trucking industry in a format that is understandable. Therefore, on the premise that "a picture is worth a thousand words" the format favours the graphic display of data with a minimum of narrative.

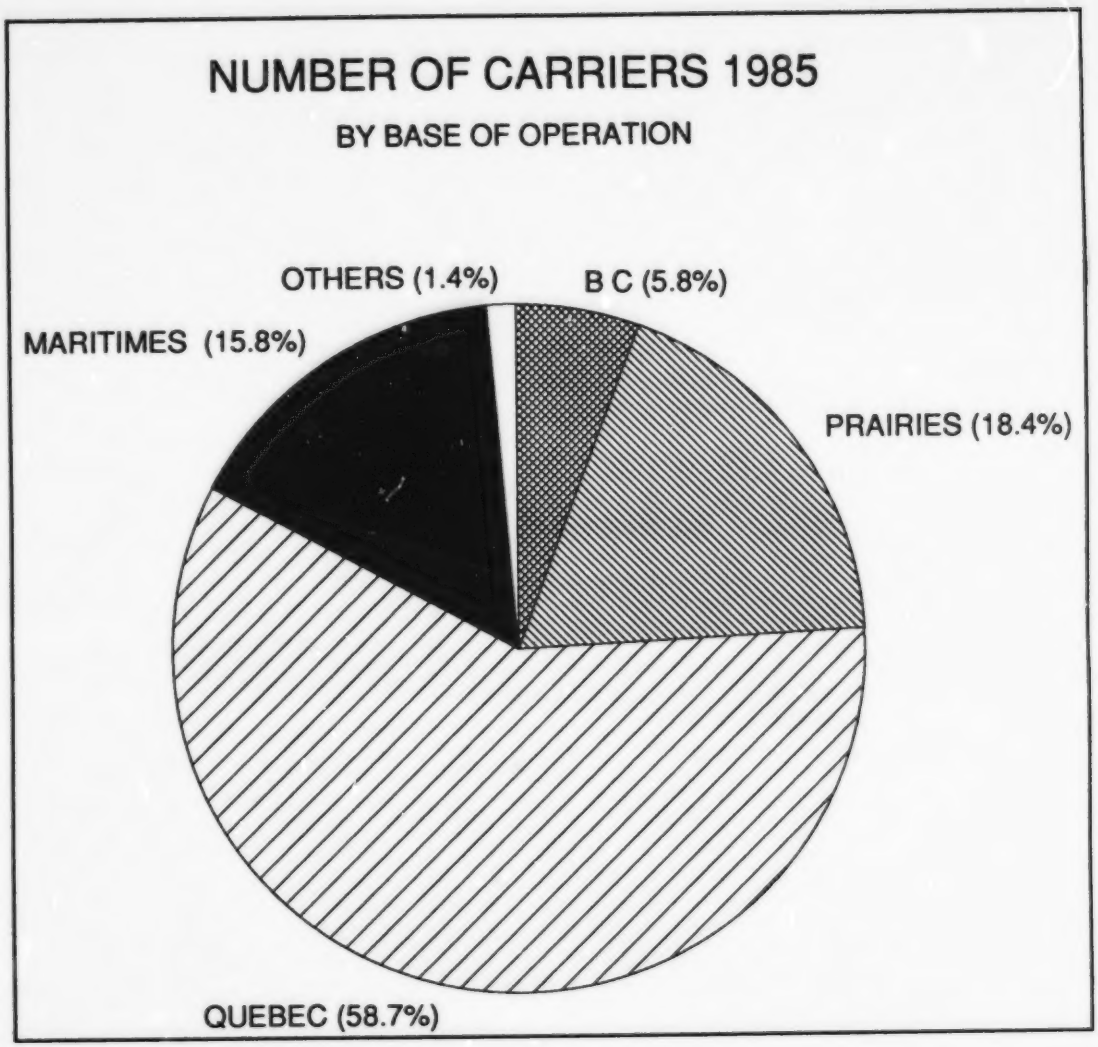
2.1 Size Of The Industry

The Ontario trucking industry is predominately comprised of carriers which are based in the province. However, in addition there is a significant number of carriers which are based elsewhere in Canada. These carriers serve Ontario on an intraprovincial basis as well as an interprovincial basis.
The number of Ontario based carriers reporting to Statistics Canada is approximately three times the number of carriers based in the rest of Canada. In 1985, there are 1539 carriers based in Ontario and 571 carriers based outside Ontario.



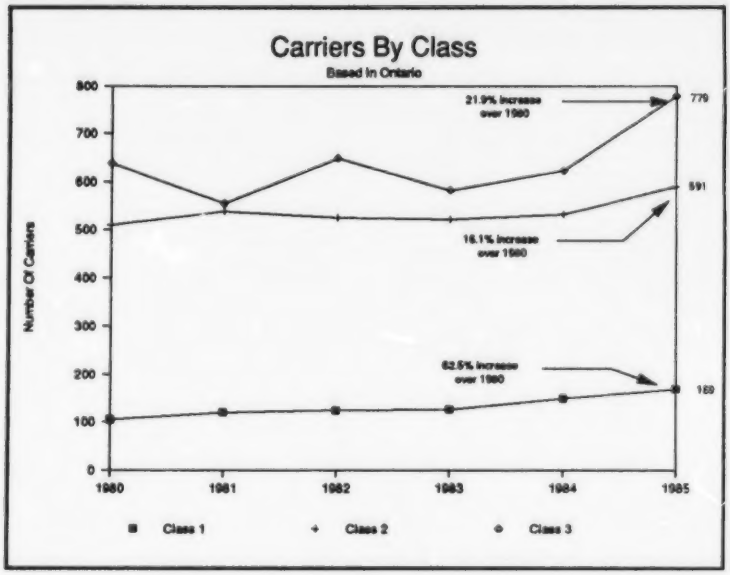
For Canadian carriers based outside Ontario, carriers based in Quebec comprise by far the largest group (335 or 58 % in 1985). This group has also shown the most significant increase in size. There was a 43% increase in Quebec based carriers from 1983 to 1984. All other carrier groups show relatively little change for the period between 1980 to 1985.



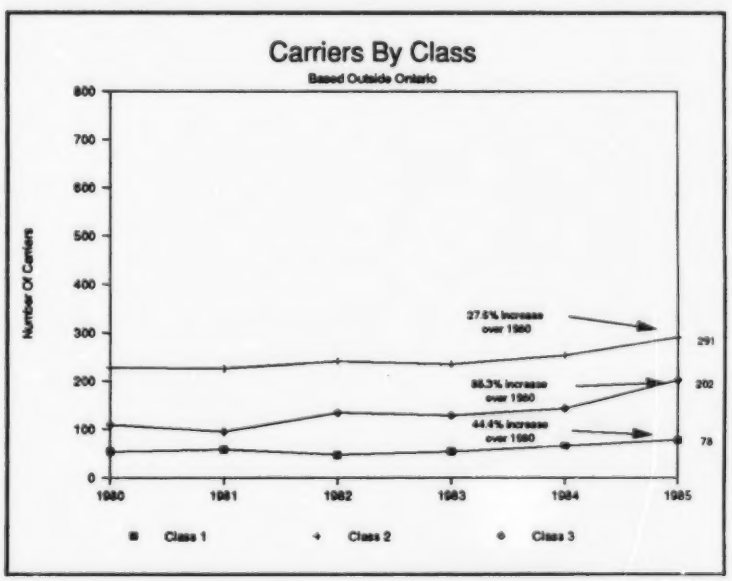


In 1985, carriers based in Quebec were by far the largest portion of all Ontario carriers based outside the province (58.7%). In total there were 105 carriers based in Quebec.

All classes of Ontario based carriers show an increase in number from 1980-1985. The class 1 carriers show the largest increase in percentage terms (62.5%). This increase is due in part to the revenue level not being adjusted for inflation.
In actual numbers the increases were:
class 1 105 to 169
class 2 510 to 591
class 3 639 to 779

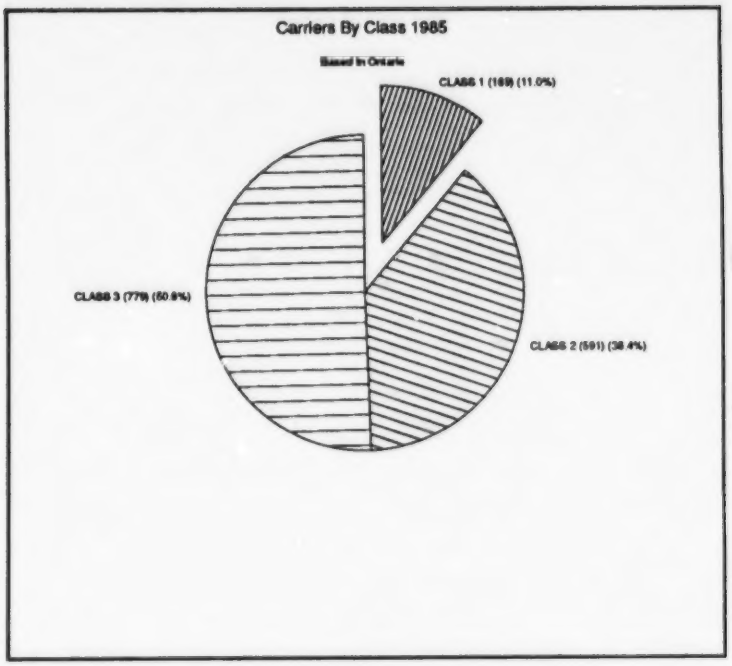


Carriers based outside Ontario show a similar increase for all classes. However for this group, class 3 carriers show the largest increase in absolute numbers (93) or in percentage terms (85.3%).
The increase for all classes were:
class 1 54 to 78
class 2 228 to 291
class 3 109 to 202



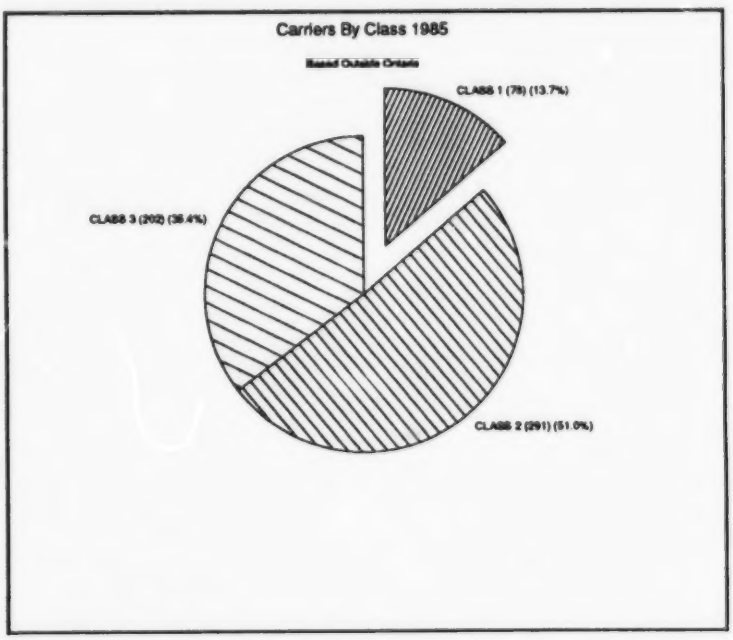
In 1985, class 3 carriers made up more than half (779 - 50.6%) of all Ontario based carriers. They were followed in size by class 2 (591 - 38.4%) and class 1 (169 - 11.0%)

This distribution does not reflect the importance of each class in terms of such things as revenue earned or volume of commodities carried.

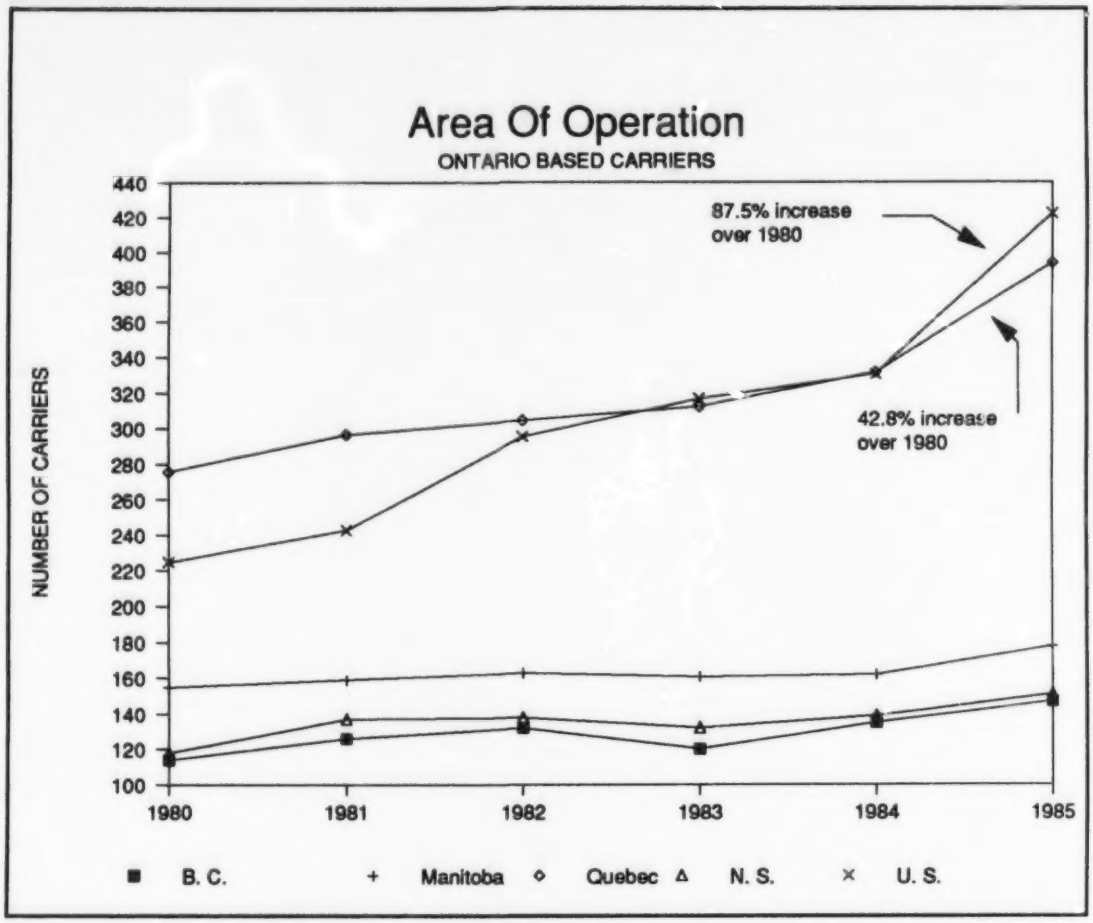


For carriers based outside Ontario, class 2 comprised the majority (291 - 51%), class 3 were next in size (202 - 35.4%) followed by class 1 (78 - 13.7%).

This difference was likely due to this group being comprised entirely by interprovincial carriers. Therefore, class 3 carriers would be underrepresented when compared to domestic Ontario carriers.



2.2 Geographical Coverage

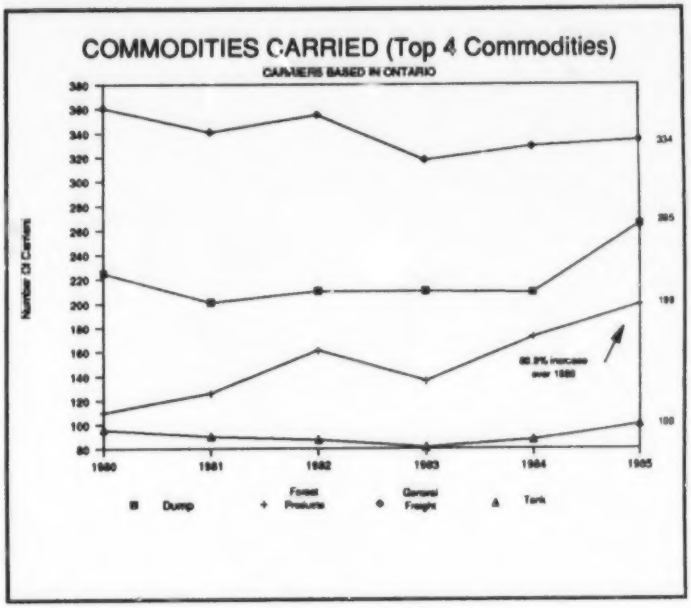


The geographic coverage of Ontario based carriers has stayed relatively constant with the exception of Quebec and the United States.

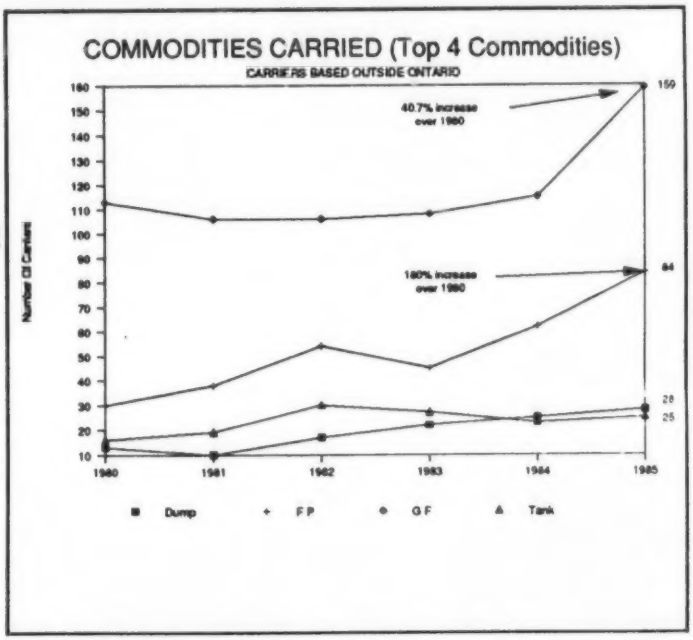
From 1980-1985 the number of Ontario based carriers operating in Quebec increased 42.8%(276-394). The number operating in the United States increased by 87.5%(225-422).

2.3 Commodities Carried

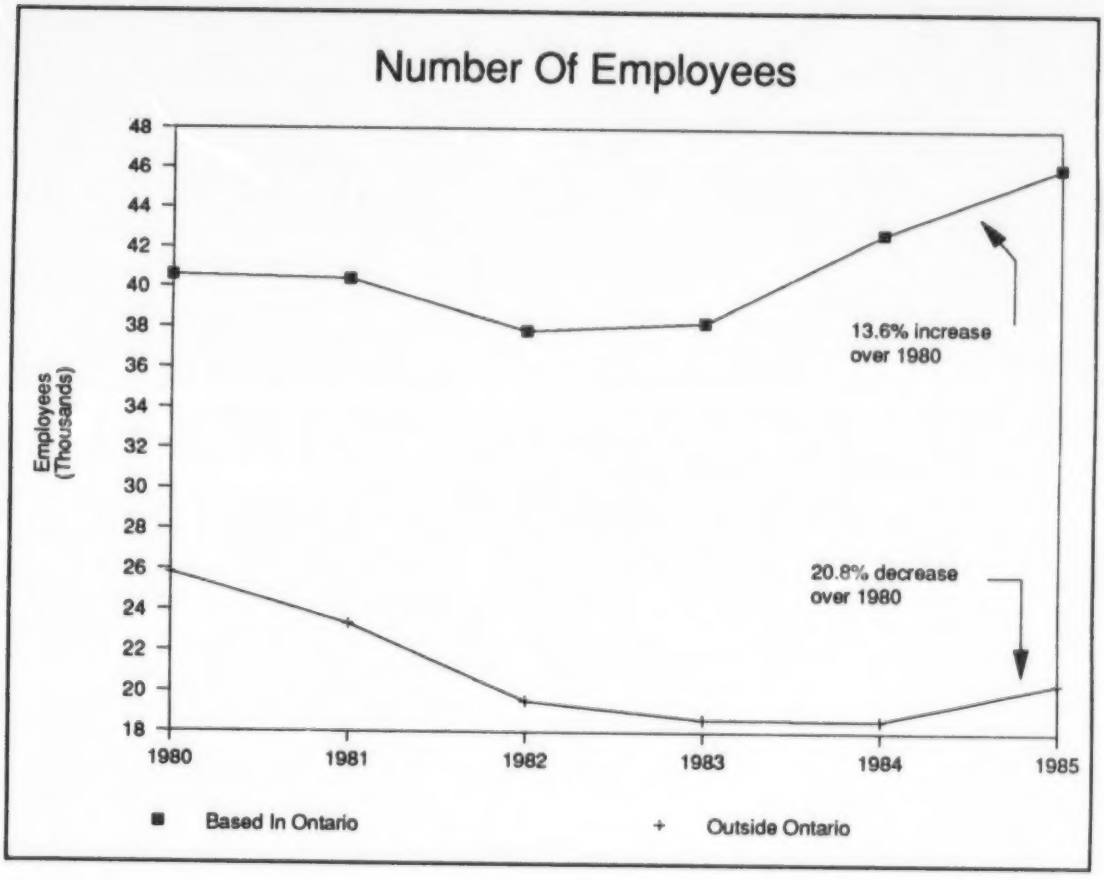
The number of carriers based in Ontario transporting different types of commodities has remained relatively constant. The exception to this is the transportation of forest products. For the period 1980-1985 the number of carriers engaged in the transportation of forest products rose 80.9%(110-199).
Increases in other commodities were:
dump 225-265
general freight 361 - 334
tank(liquid) 96 - 100



For carriers based outside Ontario, the number involved in the transportation of forest products and general freight have increased significantly. For the period 1980-1985 carriers involved in the transportation of forest products have increased 180%(30-84). Carriers transporting general freight increased 40.7%(113-159).

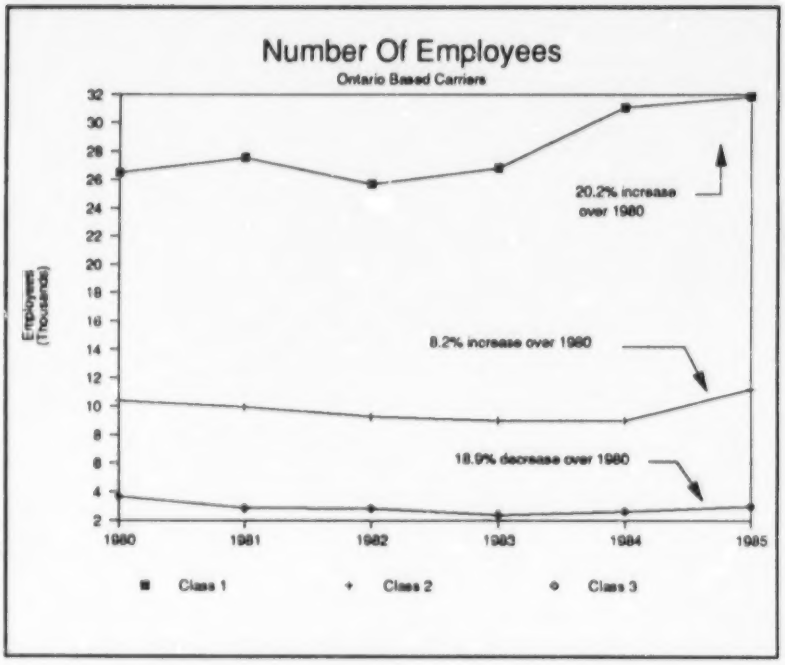


3.1 Number of Employees

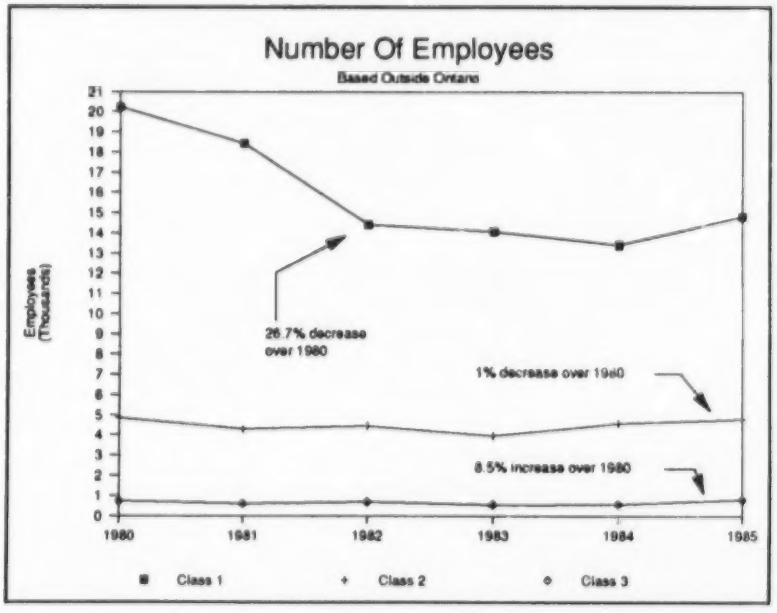


From 1980 to 1985 the number of employees of Ontario based carriers has increased 13.6% (40,578 - 46,112). This compares to a 22.9% (1254 - 1539) increase in the number of Ontario based carriers for this period.
From 1980 to 1985 for carriers based outside Ontario, the number of employees decreased by 20.8% (25,840 - 20,462). During this period thje number of these carriers increased by 46.0% (391 - 571).

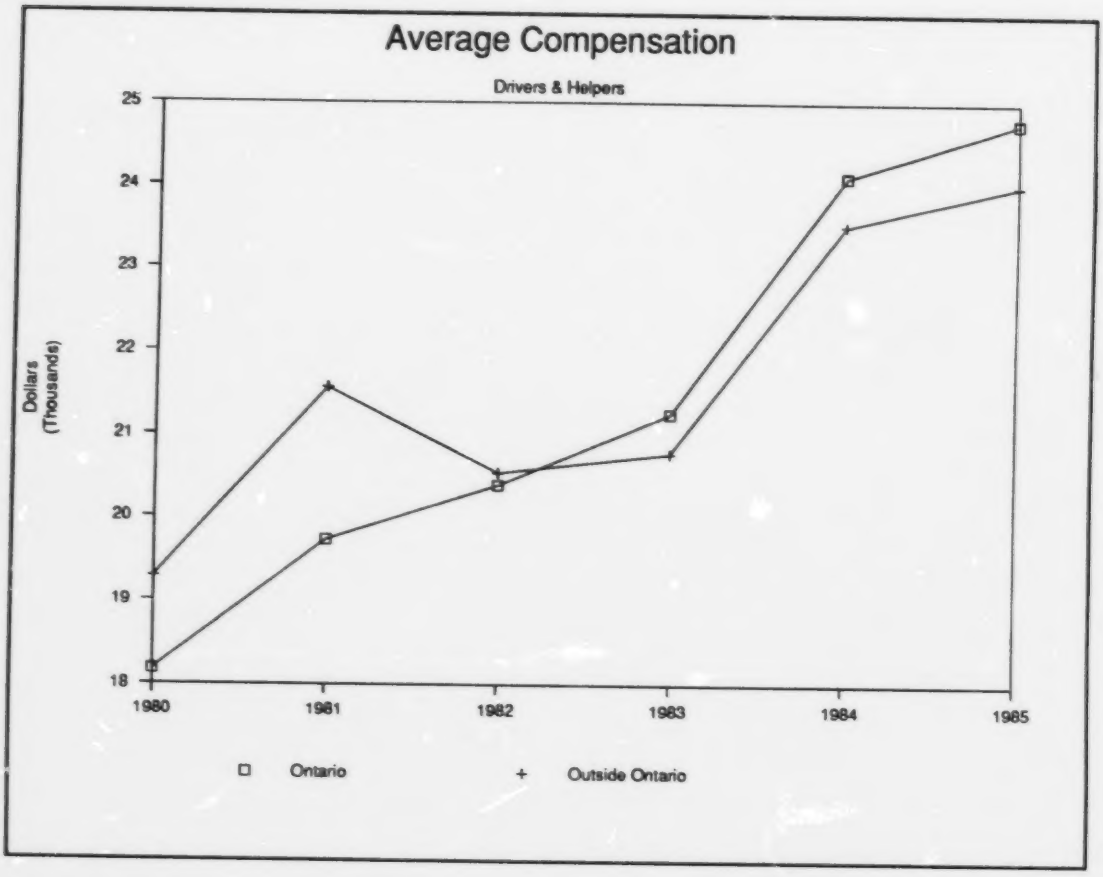
For Ontario based class 1 carriers, the number of employees has increased 20.2% (26,504 - 31,855) during the period 1980-1985. This compares to an increase of 62.5% in the number of class 1 carriers for the period.Class 2 carriers showed a relatively constant number of employees over this period and Class3 carriers showed a decrease in employees of 18.1%(3682-3016). This is despite an increase in the number of carriers in both classes.This indicates a general downsizing of firms in terms of employees.



For carriers based outside Ontario a similar downsizing of number of employees occurred. Despite an increase in the number of carriers for all calsses, employees of class 1 carriers decreased by 26.7% (20.243 - 14847)._ Class 2 and 3 carriers showed little change in the number of employees.

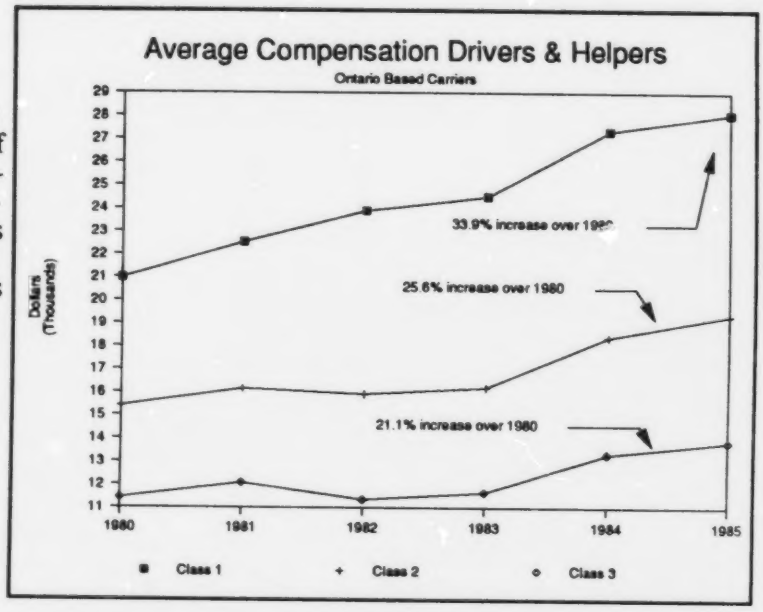


3.2 Compensation

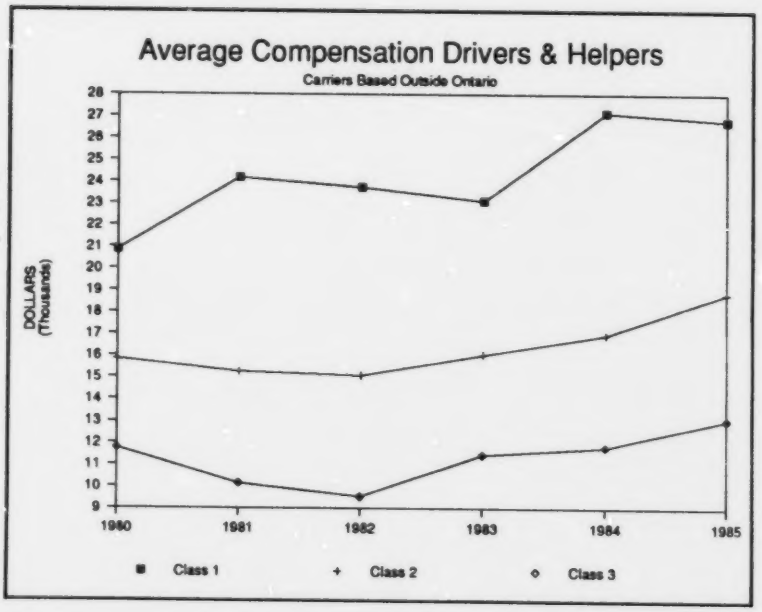


Average compensation has been calculated for four main categories of employees: Drivers and Helpers, Maintenance, Terminal, and Office. Average compensation for all categories shows a relatively steady increase over the period 1980-1985.
In all four categories at the end of the period, employees of Ontario based carriers were better paid, on average, than employees of carriers based outside Ontario. However for all categories except maintenance, employees of carriers based outside of Ontario were better paid at the beginning of the period.

When average compensation is considered by class of carrier, employees of larger carriers are generally better paid. The example of Drivers and Helpers for carriers based in Ontario clearly demonstrates this.Figures for smaller carriers, particularly class 3, likely reflects the practice of working owners taking compensation in the form of profits rather than as salary.

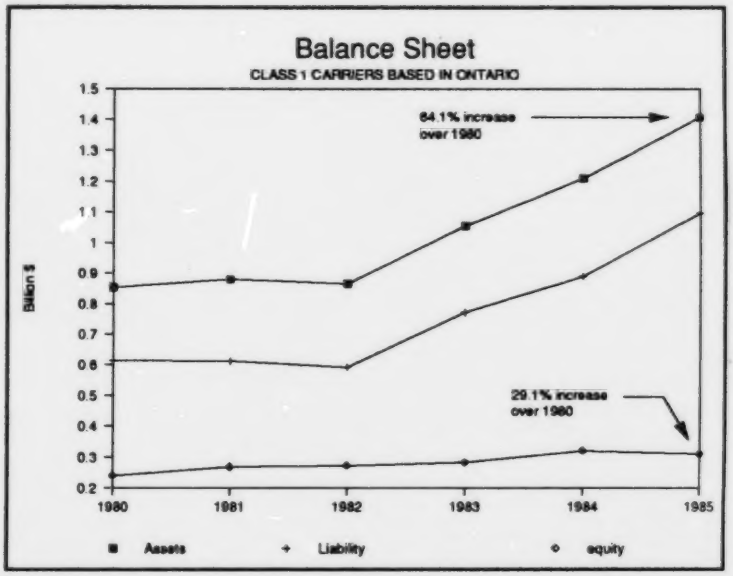


The pattern for carriers based outside Ontario is similar to the one for Ontario based carriers, employees of the larger carriers are better paid. Also the salary levels are in the same general range for each class. The lower salaries for class 3 carriers will reflect the presence of owners as employees. It may also reflect a higher occurance of part-time drivers.

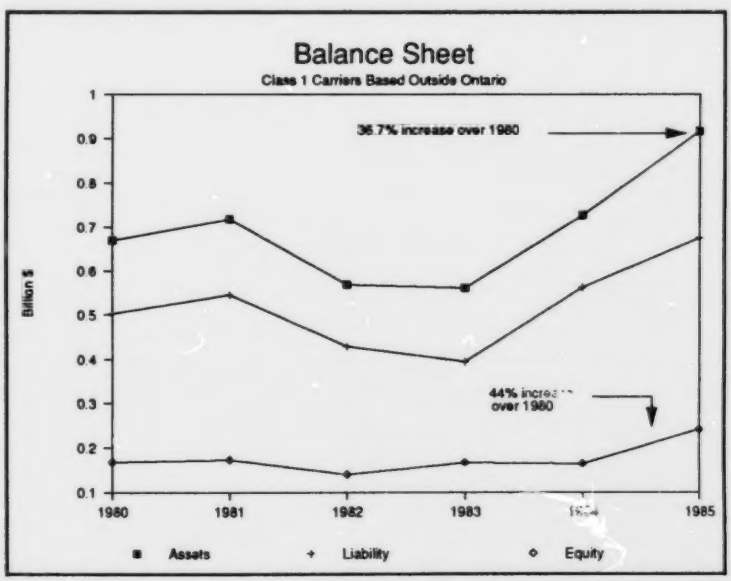


4.1 Analysis of Balance Sheet

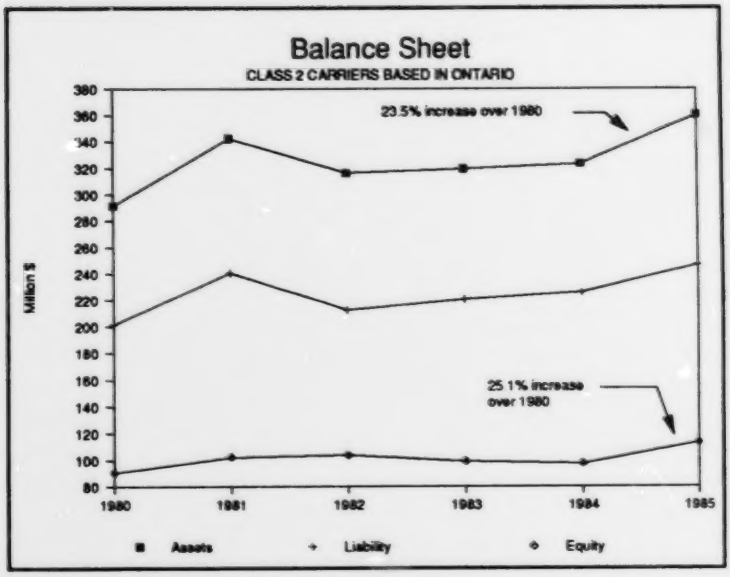
Class 1 carriers based in Ontario show a significant increase in assets and liabilities for 1982 to 1985. However the owner equity has not changed noticably during this period.
This indicates a period of heavy expansion which has been financed by borrowing rather than investment.



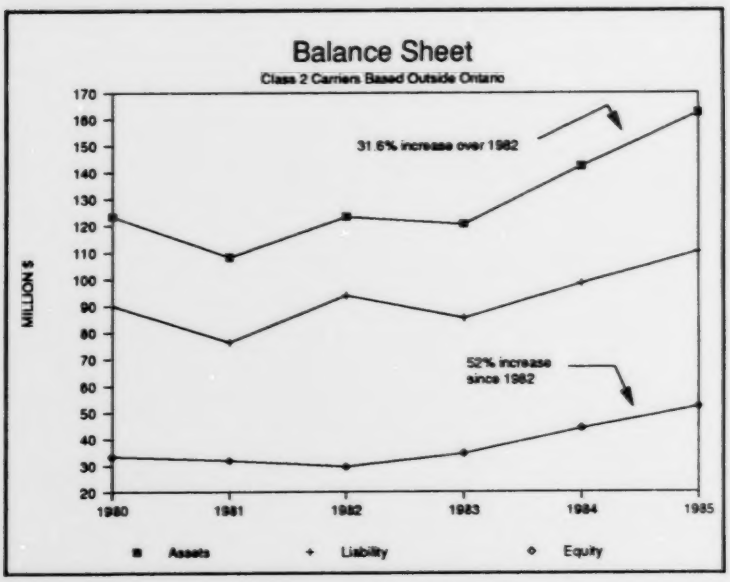
Class 1 carriers based outside Ontario show increases in assets and liabilities starting in 1983. The increase in liability in 1985 is made up, in part, by an increase in equity indicating some increase in investment. However, any expansion would be primarily financed by borrowing.



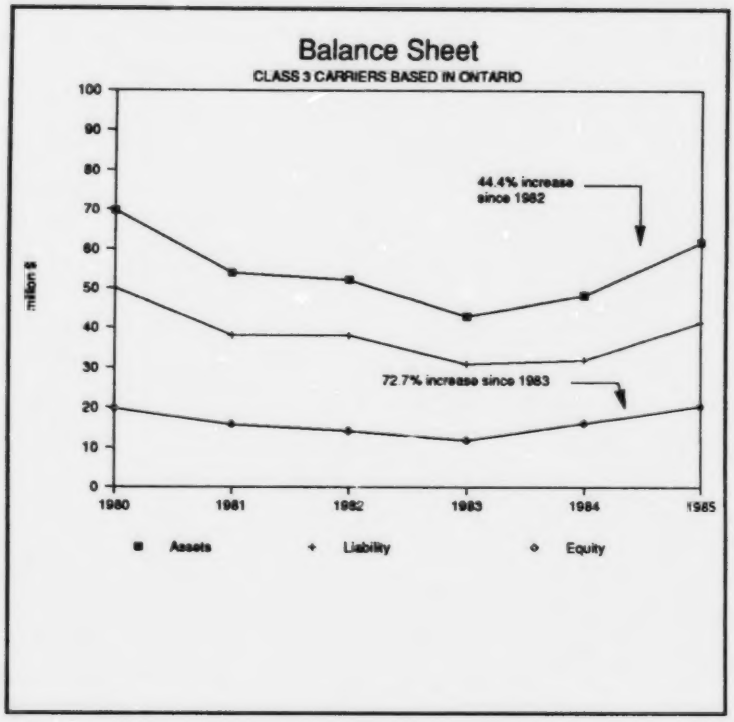
Class 2 Ontario based carriers show a similar trend of increases in assets and liabilities. However there is a relatively large increase in average owner equity of 25.6%($90.2M-$113.3M).



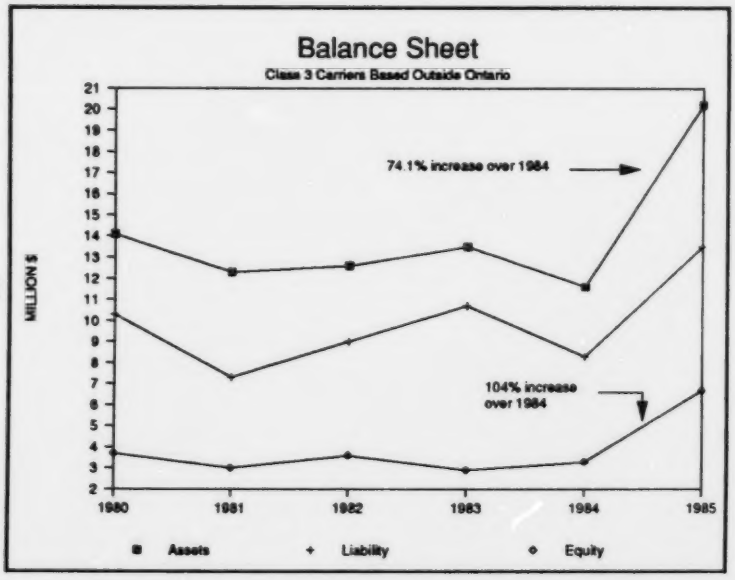
Class 2 carriers based outside Ontario show steady increases in assets and liabilities starting in 1983. This is similar to class 1 carriers outside Ontario. However this increase in equity began in 1982. There was a significant increase in equity from 1982 to 1985 of 77.6%($29.4M-$52.2M).



Class 3 Ontario carriers show a similar increase in assets, liabilities and equity since 1983. This indicates an investment which had been funded by a combination of borrowing and equity. However, assets have not yet returned to the 1980 level.Equity has just reached the 1980 level in 1985.

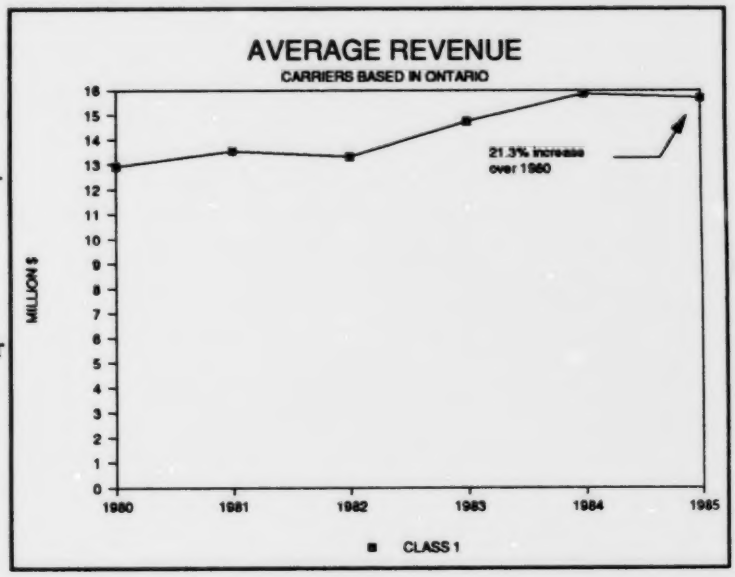


Class 3 carriers based outside Ontario show a significant increase in assets, liability and equity. Assets increased by 74.1% from 1984 to 1985. This was a combination of a 63.2% increase in liability and a 104% increase in equity.

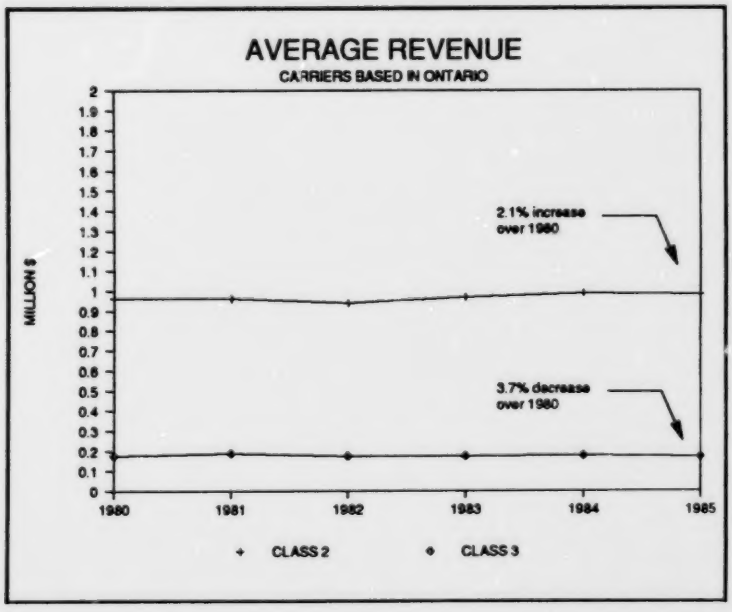


4.2 Analysis of Revenue

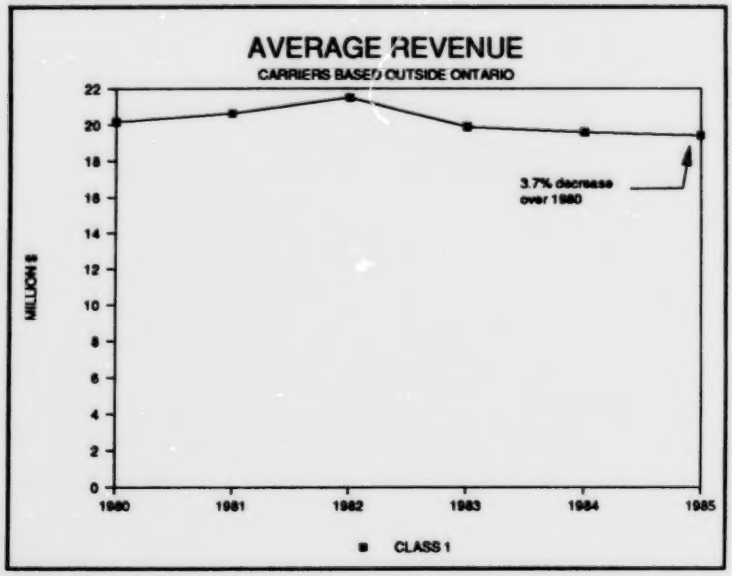
Class of carrier is determined by revenue. Therefore, the average revenue reported by Class 2 and Class 3 carriers remains relatively constant from 1980-1985.
Class 1 carriers have an increase in average revenue over this period of 21.3%. This is unadjusted for inflation.



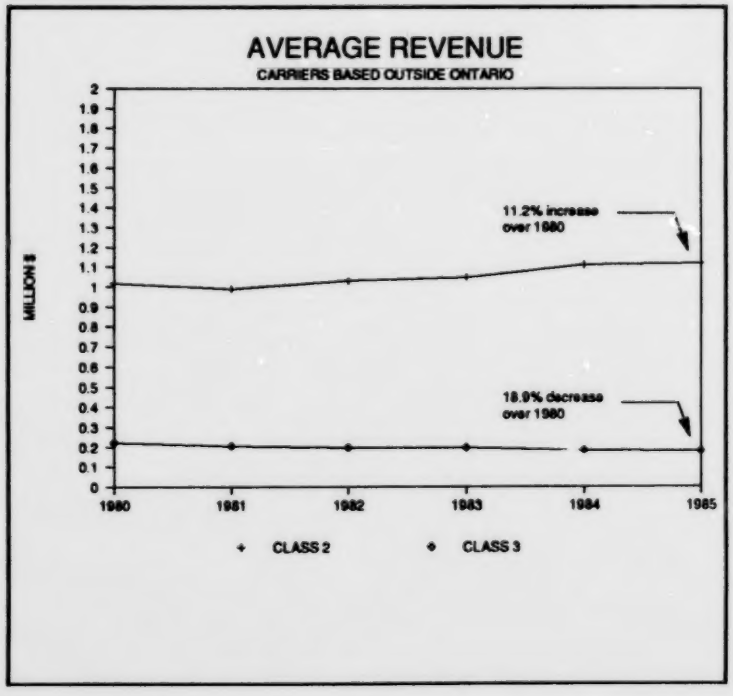
Class 3 carriers based in Ontario show a decrease in average revenue for the same time period of 3.1%.
Class 2 carriers show an increase in average revenue of 2.1%.



For class 1 carriers based outside Ontario, the average revenue has decreased by 3.7% from 1980 to 1985. This is more a reflection of an increase in small class 1 carriers than in overall revenue which increased by $426 million over this period (39.2%).

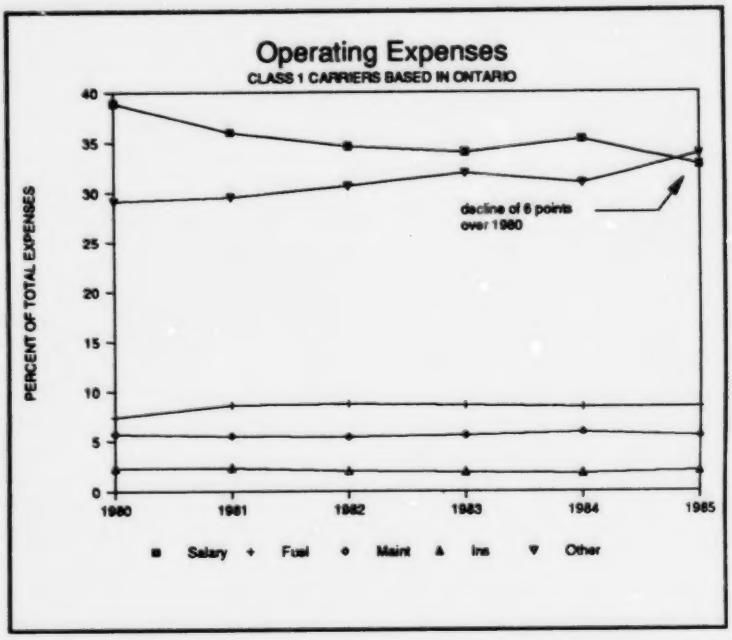


Class 3 carriers based outside Ontario show a decrease in average revenue for the same period of 18.9%.
However, class 2 carriers show an increase of 11.2% for the period.
Both classes show a significant increase in total revenue over the period: class 3 (50.2%) and class 2 (41.9%).

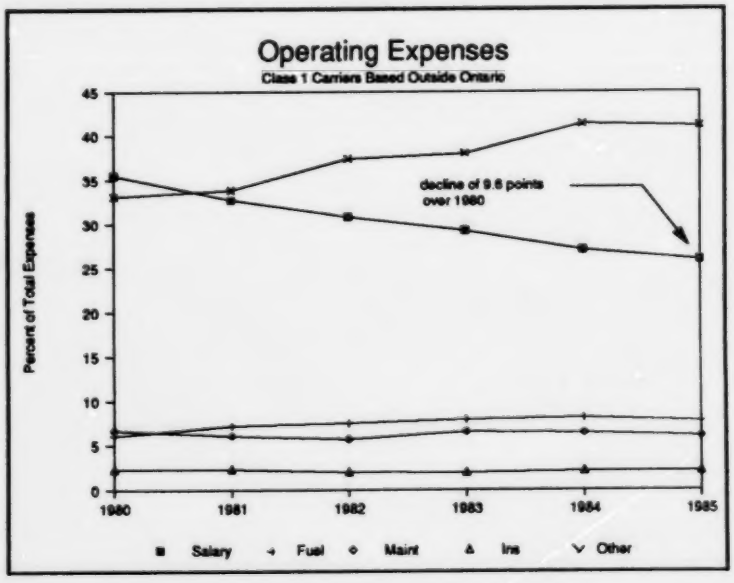


4.3 Analysis of Expenditure

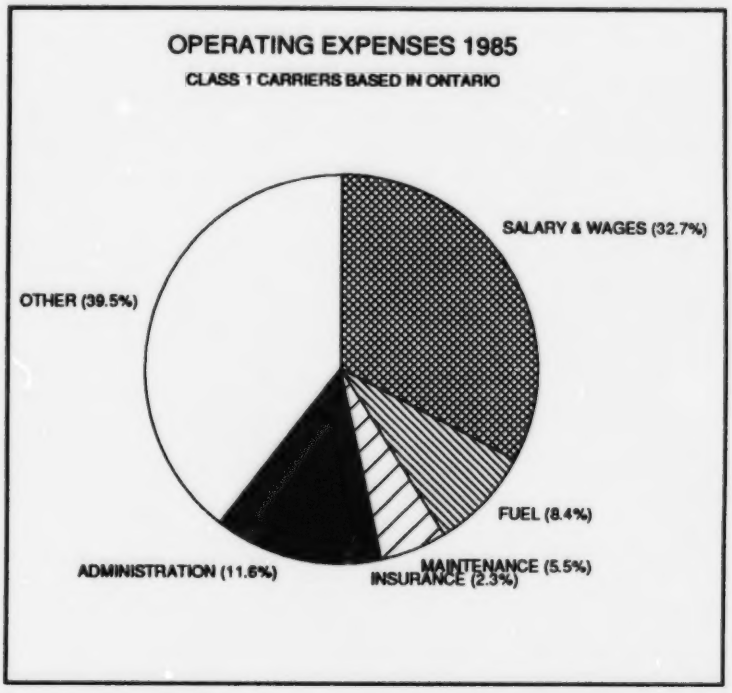
Salary and Wages was the largest single item of expense for carriers based in Ontario. However, the amount decreased over the period 1980-1985. For this period, Salary and Wages decreased as a percentage of operating expenses for all classes of carriers. For Class 1 carriers it declined 6 percentage points (38.9% to 32.9%).



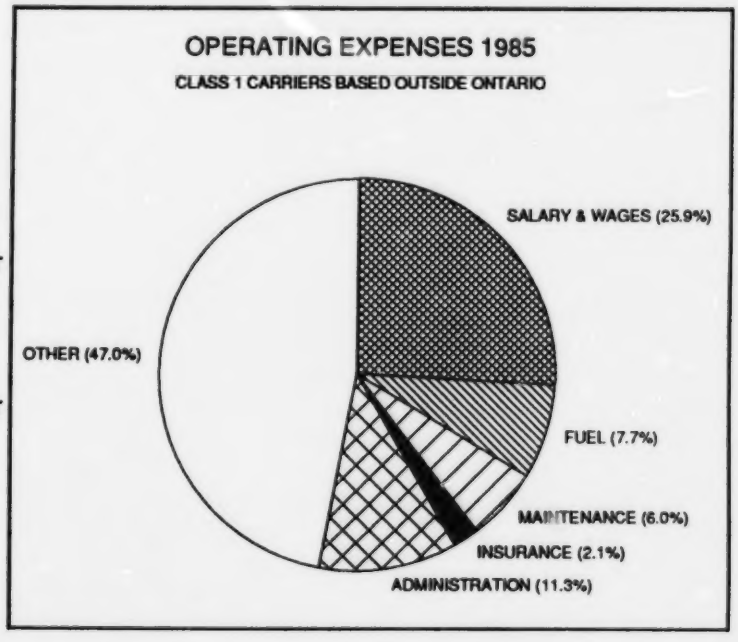
For carriers based outside Ontario, salaries & wages was also the single largest item of expenses. It declined for all classes as a percentage of total expenses. For Class 1 carriers this item declined 9.6 percentage points (35.5% to 25.9%).



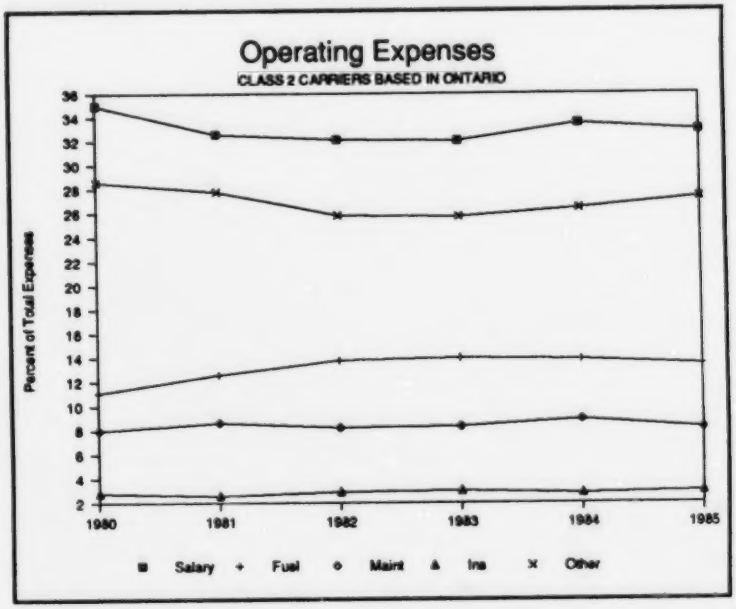
In 1985, salary and wages made up almost one third of all operating expenses for class 1 carriers based in Ontario. This does not include the cost of owner operators or leased drivers.



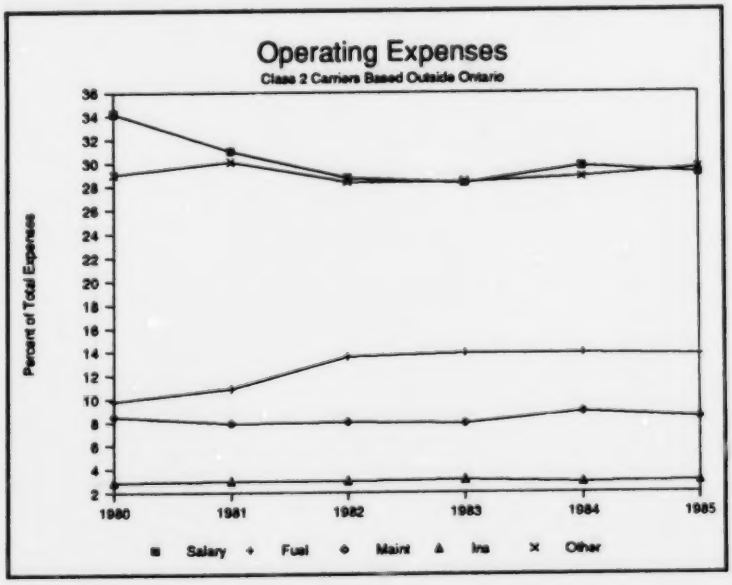
In 1985, salary and wages for class 1 carriers based outside Ontario comprised one quarter of all operating expenses. This is a smaller portion than the class 1 carriers based in Ontario. The difference may indicate a greater use of owner operators and leased drivers.



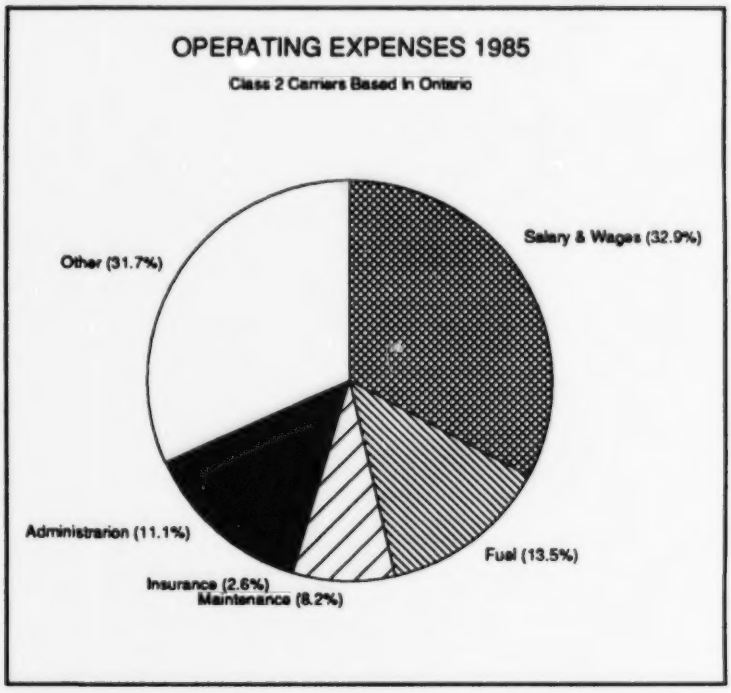
Class 2 carriers based in Ontario show a fairly constant distribution of expenses over the six year period. Salaries and wages declined slightly over the period. This was offset by an increase in the percentage of expenses devoted to fuel.



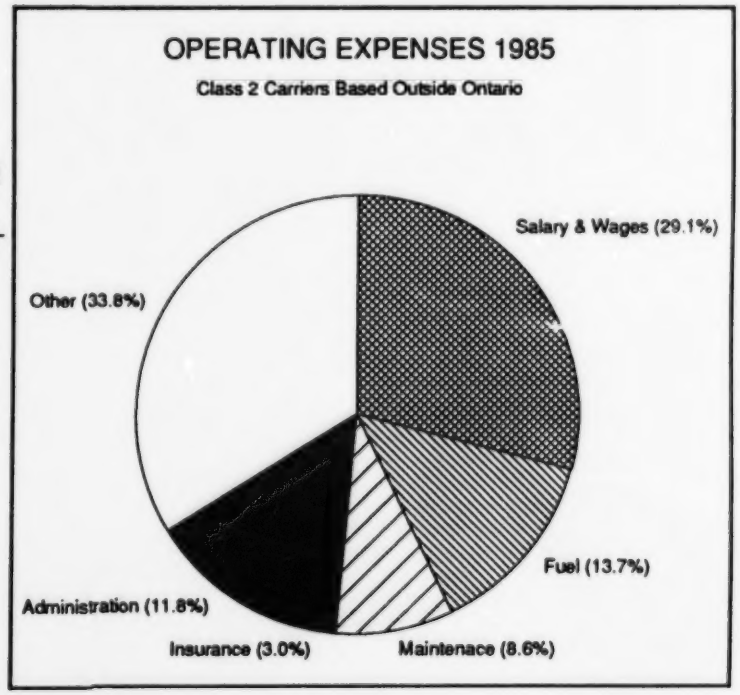
Class 2 carriers based outside Ontario show a similar trend. Salaries & wages are declining and fuel expenses are increasing as a percentage of total expenses



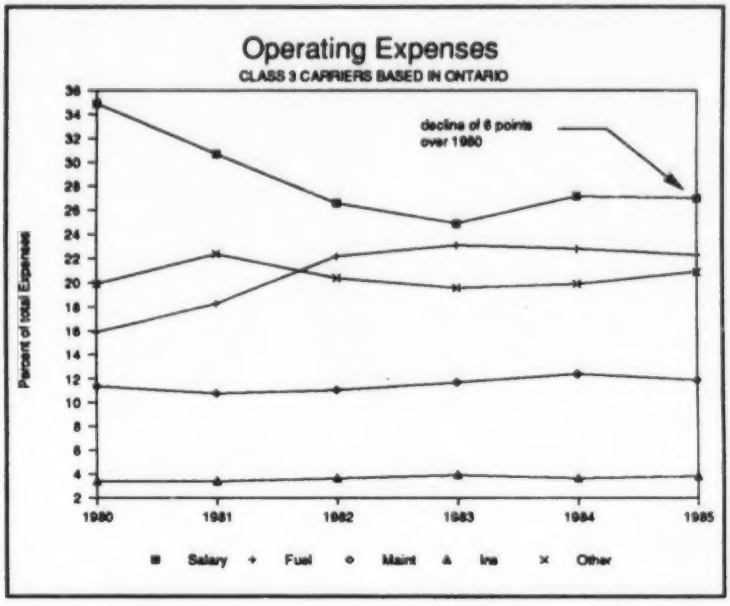
In 1985, class 2 carriers based in Ontario had a similar distribution of expenses to the class 1 Ontario based carriers. Fuel and maintenance expenses were slightly higher for the class 2 carriers than the class 1 group.



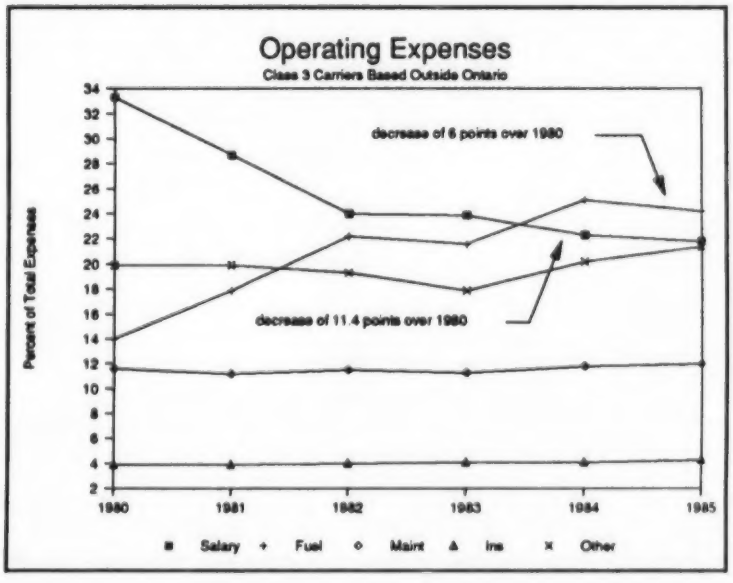
In 1985, class 2 carriers based outside Ontario had a similar breakdown to the class 2 carriers based inside the province. Salary and wages made up a smaller proportion of operating expenses (29.1%). However, the difference is not as great as for the two groups of class 1 carriers.



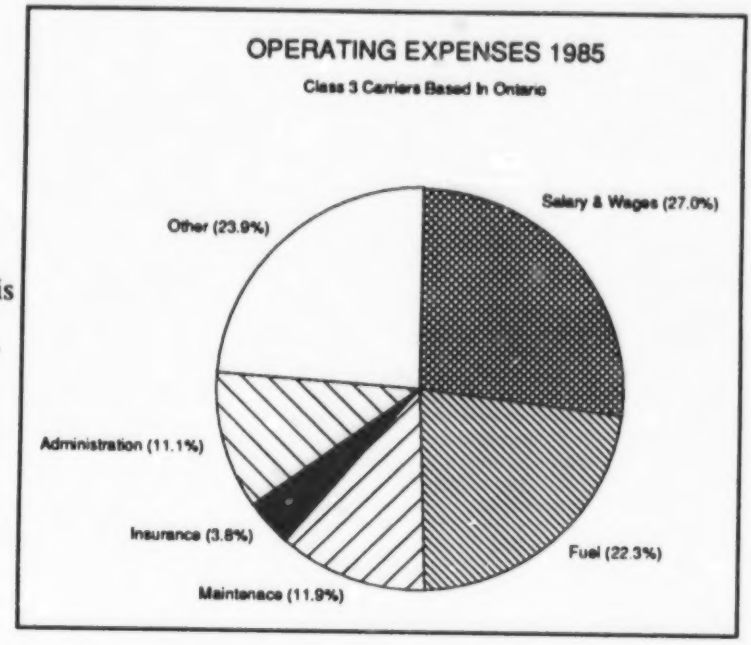
Class 3 careiers show the largest decrease of all Ontario based carriers in the proportion of expenses spent on salaries & wages. This decreased from 39% in 1980 to 33% in 1985. Fuel expenses showed a similar increase going from 16% in 1980 to 22% in 1985.



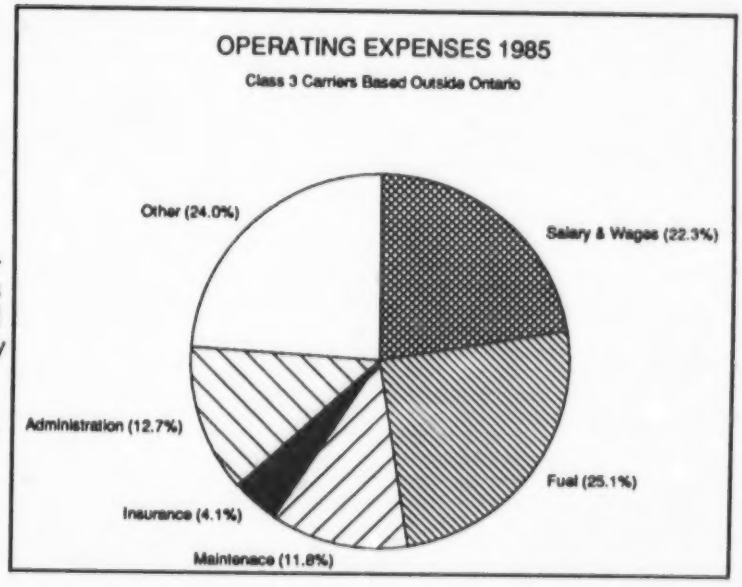
Class 3 carriers based outside Ontario show most significant changes of all carriers regardless of base. Fuel expenses had the most dramatic change going from 14% in 1980 to 24.2% in 1985. This was balanced by a similar decrease in salary & wages.



for class 3 carriers based in Ontario in 1985, fuel was a significantly higher portion and salary and wages lower than class 1 or 2 carriers. This is probably due to owners of small firms taking compensation in the form of profits rather than salary.

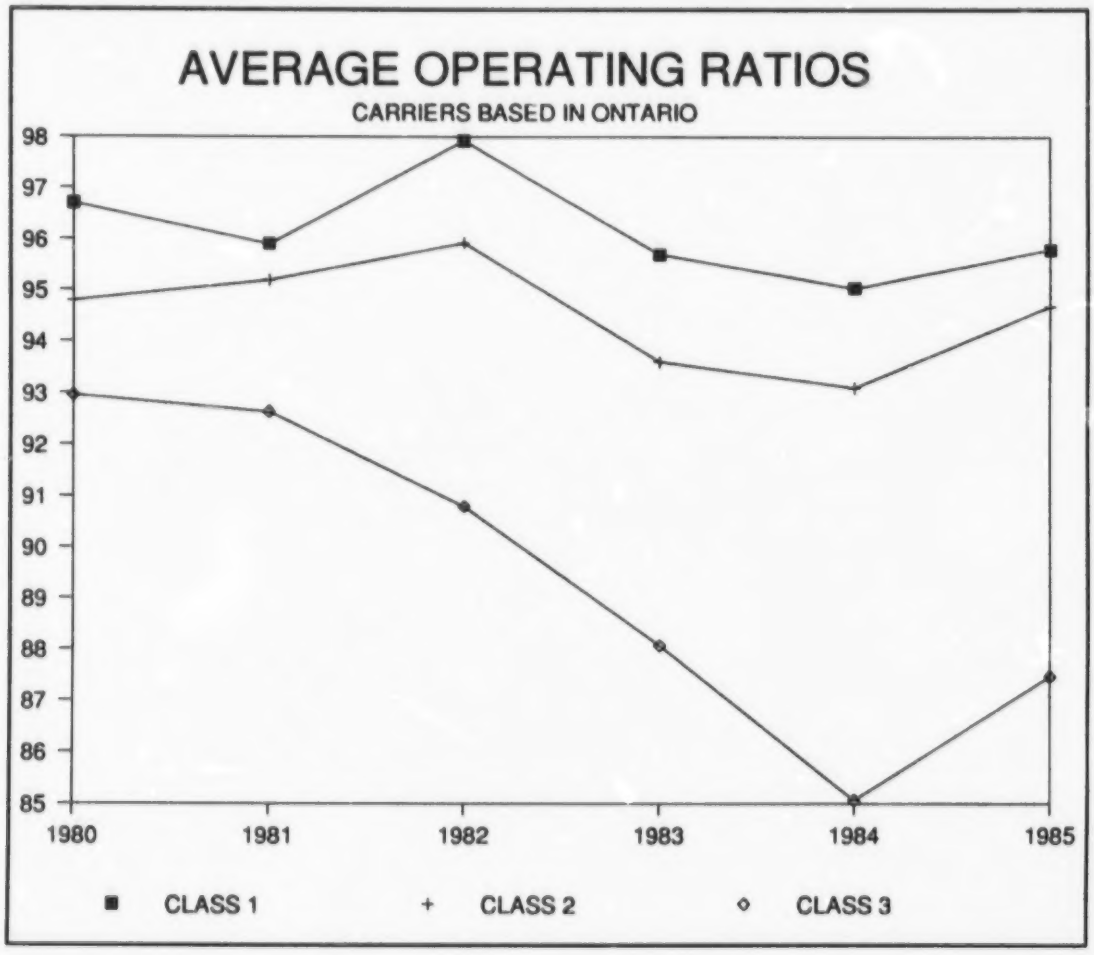


For class 3 carriers based outside Ontario in 1985, fuel comprised the largest single item of expense. The percentage spent on fuel (25.1%) was slightly higher than salary and wages (22.3%). The relatively small portion of expenses devoted to salary and wages would reflect the tendency for owners of small firms to take compensation in profits.

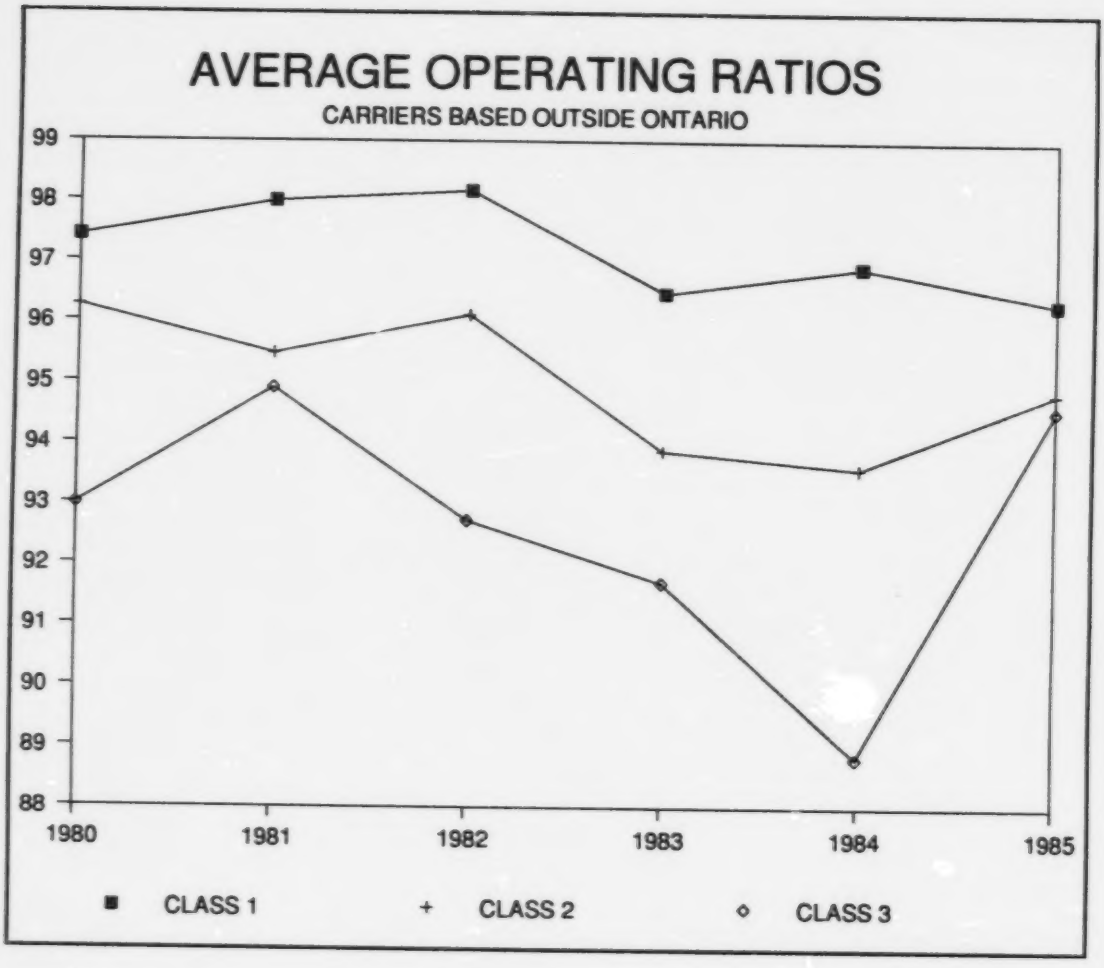


4.4 Analysis of Operating Ratio

The Operating Ratio (OR) ia a function of expenses divided by revenue. Therefore a figure below 100 indicates a current financial situation which is relatively healthy.



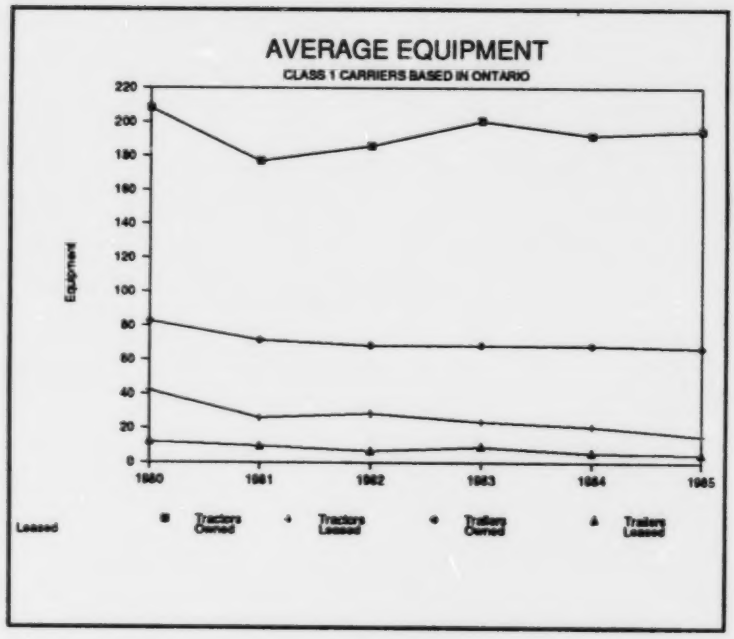
For Ontario Based carriers the smaller the carrier the better the operating ratio. Class 3 carriers have a lower OR than Class 2 carriers. Class 1 carriers have the highest OR.



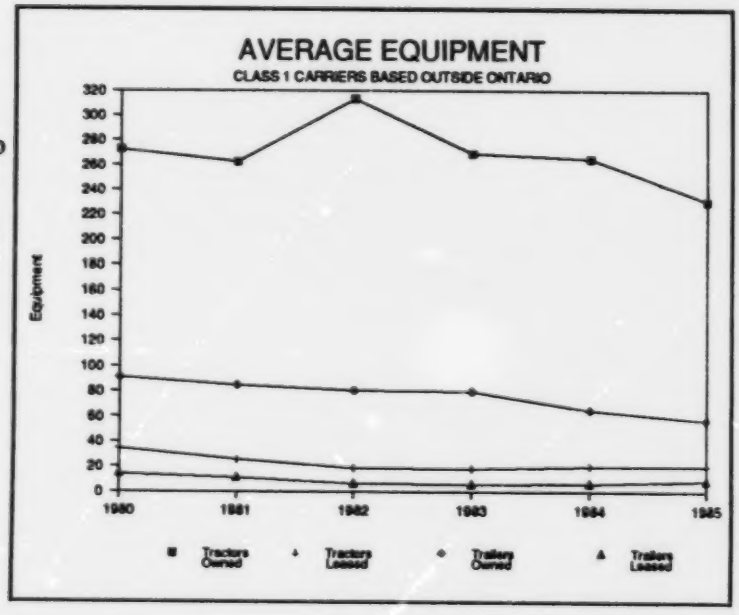
For carriers based outside Ontario a similar pattern occurs; the smaller the carrier the better the OR. The fluctuation in the Class 3 carrier OR is likely due to the small number of carriers based outside Ontario.

5.1 Operating Equipment

Class 1 carriers based in Ontario show a general decrease in the average amount of equipment owned and leased between 1980 and 1985. The proportion of equipment owned vs leased stayed relatively constant during this period.
A similar trend was apparent for Class 2 and 3 carriers based in Ontario.

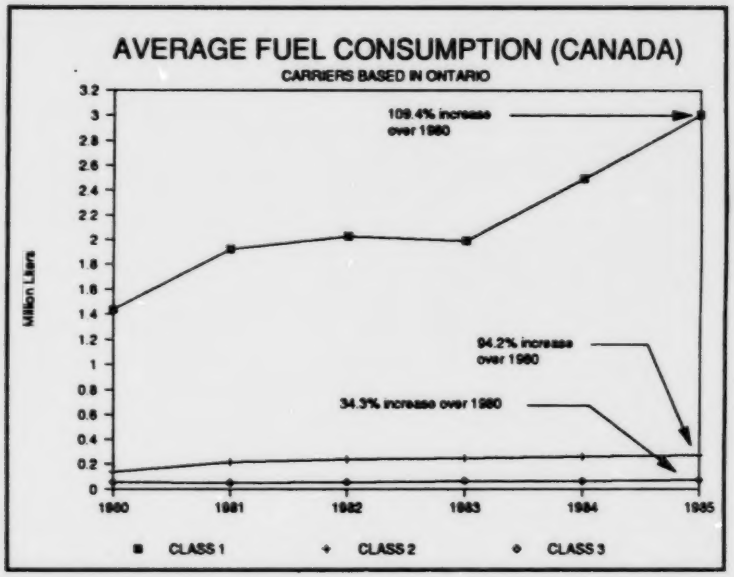


Carriers based outside Ontario showed a similar downsizing in average amount of equipment over the six year period. The proportion of equipment owned vs. leased also stayed relatively constant.

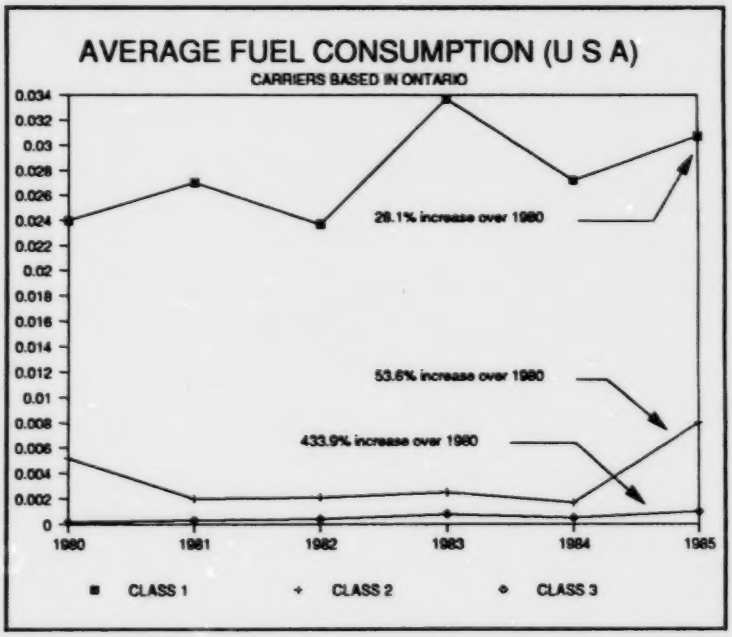


5.2 Fuel Consumption

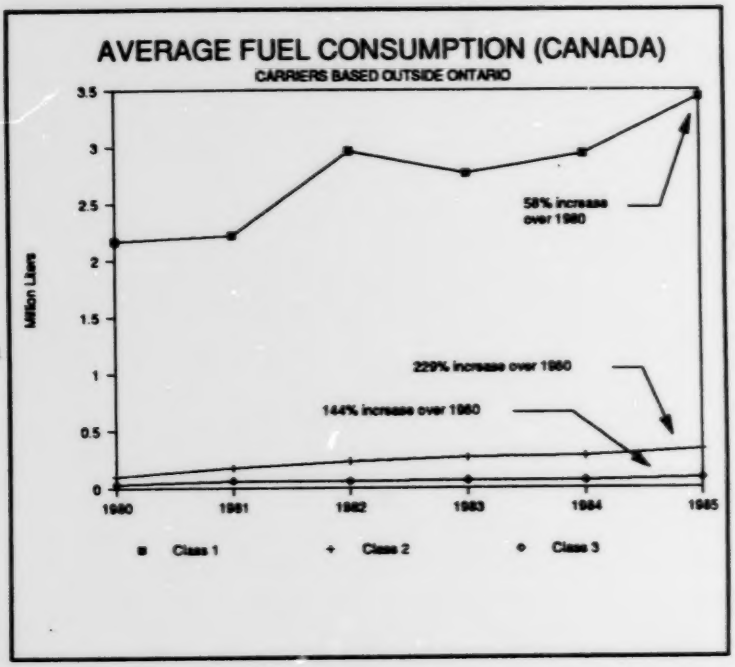
Fuel consumption can be an indicator for level of carrier activity. All classes of carrier show significant increases in average fuel consumption between 1980 and 1985. When increases in fuel efficiency are included a picture of greatly increased activity emerges.



Ontario based class 1 carriers show a similar increase in fuel consumption in the United States. Class 2 and class 3 carriers also show large increases in activity in the U.S. in rates of increase.
Total consumption also increased dramatically.



All classes of carriers based outside Ontario show an increase in fuel consumption and therefore activity in Canada. Class 1 carriers show by far the greatest increase in absolute terms. However, as a percentage increase class 2 (229%) and class 3 (144%) were significantly larger than class 1 (58%).
There were significant increase in total fuel consumption for all classes.



An increase in U.S. fuel consumption is indicated for all classes of carriers as well. However, class 1 carriers show a decrease in both 1984 and 1985 indicating a possible trend to decreased activity in the U.S. However the rate for 1985 is still significantly higher then 1980 (24.7%).
Total fuel consumption also increased significantly for all classes.